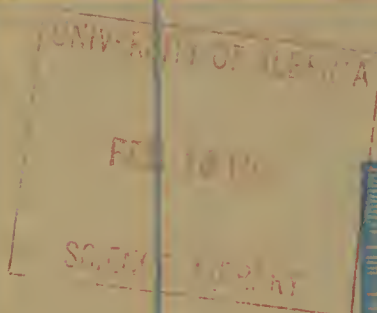


# ANNUAL REPORT

## 1943



**THIRTY-SEVENTH  
ANNUAL REPORT**  
Year Ending July 31, 1943

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**D GRAIN GROWERS LIMITED**



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# THIRTY-SEVENTH ANNUAL REPORT

OF

UNITED GRAIN GROWERS LIMITED

FOR THE

FISCAL YEAR ENDING

JULY 31ST, 1943

PRINTED AT THE COMPANY'S PRINTING PLANT  
THE PUBLIC PRESS LIMITED, WINNIPEG

# BOARD OF DIRECTORS

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R. S. LAW

*President and General Manager*

J. E. BROWNLEE

*First Vice-President and General Counsel*

JOHN MORRISON

*Second Vice-President*

## DIRECTORS

F. J. Collyer.....	Welwyn, Sask.
J. J. MacLellan.....	Purple Springs, Alta.
C. E. Hope.....	Fort Langley, B.C.
M. T. Allen.....	Neville, Sask.
R. Shannon.....	Grandora, Sask.
S. S. Sears.....	Nanton, Alta.
R. C. Brown.....	Pilot Mound, Man.
J. Stevens.....	Morinville, Alta.
E. E. Bayne.....	Winnipeg, Man.

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Secretary—Chas. C. Jackson, Calgary, Alta.

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Head Office, Winnipeg, Hamilton Building.  
Calgary Office, Lougheed Building.  
Saskatoon Office, 140 Avenue "A" South.  
Edmonton Office, 810 McLeod Building.

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528 Country Elevators in Manitoba, Saskatchewan, Alberta and British  
Columbia. Terminal Elevators at Port Arthur, Ont., Vancouver  
and Victoria, B.C.

# Thirty-seventh Annual Report *of* United Grain Growers Limited *for the*

Fiscal Year ending July 31st, 1943

*Presented to the Annual Meeting of the Company  
held in Winnipeg, November 10th, 1943*

## Report of the President on behalf of the Board of Directors

This is the thirty-seventh annual report to be made by the Directors to the shareholders of this Company, and the twenty-sixth since 1917 when the Grain Growers Grain Company and the Alberta Farmers Co-operative Elevator Company were amalgamated to form United Grain Growers Limited.

It is also the fifth annual report to be presented during the present war. Since the war began, more than four years ago, it has steadily become plainer to everyone that Canadian agriculture has an absolutely essential part to play in the war program of the United Nations. There has also developed a steadily increasing recognition of the conditions essential to enable Canadian agriculture to contribute its full strength towards the attainment of victory, a recognition much more marked during the past year than previously. There is now developing an increasing sense of the part to be played by Canadian agriculture in post-war reconstruction, not only of this country but of the world generally. To such matters later reference will be made in this report.

A year ago the Directors and the delegates at the last annual meeting gave thought to the possibility of having to cancel this meeting on account of the difficulty, under war conditions, of assembling and accommodating so large a gathering. A resolution was passed authorizing such a step if found necessary. The Directors, however, decided that the meeting should be called because of very important developments during the past year which should be brought to the attention of the delegates. These include a large expansion in the Company's country and terminal elevator system and also other developments, and in addition, a successful re-financing of the Company's bonded indebtedness. Important changes in the agricultural policy of Canada, and the part played by your Company in bringing about some of these also require consideration.

### THE YEAR'S OPERATIONS

As shareholders already know from the annual financial statement which has been placed in their hands, and also from dividend cheques which they have received, satisfactory financial results were obtained from the operations of this Company during the fiscal year which closed on July 31st, 1943. The net profit for the year available for the payment of dividends on capital stock or additions to surplus, was \$244,768.86. This

amount was established after making provision for payment of bond interest and income tax. Full depreciation on the Company's assets at regular rates was provided and in addition the sum of \$245,395.30 was written off in respect of temporary grain annexes. The sum of \$400,000.00 was also set aside as reserve for patronage dividends on grain delivered to the Company. The full rate of 5 per cent was paid on the Company's Class "A" Preferred Shares and the same rate of dividend was paid on Class "B" Shares. These dividends on capital stock absorbed \$158,644.25. After various adjustments in connection with refunding the Company's bonded debt and retirement of a certain number of Class "A" shares, the Earned Surplus Account was carried forward in the amount of \$458,411.89, as against \$438,418.04 at the end of the preceding financial year.

As a result of the very large crops produced in western Canada in 1942 the quantity of grain handled by the Company was considerably greater than during the preceding year. The amount would have been greater still had not farmers' deliveries been restricted by quota regulations and by the inability of the transportation system to move grain forward either as rapidly as farmers wished to market it or as rapidly as consuming markets could have absorbed it. To a large extent also, regular customers of the Company who wished to make use of its elevators had to take grain elsewhere because room could not always be found for it in elevators of this Company. But to the full extent that it was possible for them to do so, customers continued the loyal patronage of this Company's facilities which has continued throughout the years and upon which the success of this institution has so largely been built.

Besides revenue from handling grain considerable revenue accrued to the Company from extensive use of its storage facilities, resulting from the large quantities of grain in Canada, although in anticipation of such a situation tariff charges for grain storage had been voluntarily reduced at the beginning of the crop year. It should not, however, be assumed that even under conditions such as have prevailed, all storage space in elevators remains continuously on an earning basis. For a long period much elevator space remained empty, particularly in terminal elevators and annexes at the head of the lakes, because of transportation difficulties. But storage earnings were important, not only as contributing to the Company's revenues, but also in making it possible for grain to be handled on narrow margins.

#### BALANCE SHEET

In turning to the figures of the Balance Sheet note will first be made of the Company's working capital position which is as follows:

Current and working assets amount to.....	\$21,771,100.90
Current liabilities amount to.....	\$19,717,609.25

The difference of \$2,053,491.65 represents the Company's working capital position. With the increasing amount of money which it is necessary to tie up in grain inventories, both because of large stocks and because of price advances, a strong working capital position such as these figures indicate is important.

Under current assets, the first item is cash on hand and in banks, \$531,402.68. This included cash which is kept on hand with paymasters at country elevator points to take up cash tickets as issued.

The next item of \$600,000.00 represents an investment in Victory Bonds made by the Company.

Accounts and bills receivable amount to \$622,578.82, and include advances secured by farmers' grain, storage and carrying charges and other accruals after providing for estimated doubtful accounts.

The grain inventory at \$19,025,863.69 is the highest figure at which the Company's year-end inventory of grain has ever stood. Practically all the grain represented by this figure was in country elevators and country annexes, or en route to terminals as owing to market conditions grain in terminal elevators had been sold. Of the grain inventory, \$10,402,280.84 represents wheat which had been delivered by farmers for account of the Canadian Wheat Board, while \$8,623,582.85 represents wheat and coarse grains which the Company had bought on its own account from farmers. It will be recalled that during the first eight months of the past year practically all wheat deliveries were made to the Canadian Wheat Board. After that time, owing to an advance in the market, nearly all wheat had been sold outright by farmers as delivered. A note on the balance sheet calls attention to the fact that the Dominion of Canada has appropriated all western wheat in commercial positions as at September 27, 1943, and that no inventory loss is anticipated upon final settlement of Company wheat stocks so appropriated. That step was taken in connection with the new government policy in respect to wheat which became effective on September 27, which policy will be discussed at length later in this report.

Addition of twine, coal and sundry merchandise at cost to the amount of \$857,842.35, brings the total of inventories to \$19,883,706.04.

Deferred charges and prepaid expenses amount to \$133,413.36. This includes such items as prepaid insurance and taxes, licenses and operating supplies purchased in advanced of requirements for the next fiscal year.

The item for investments stands at \$58,224.46. Memberships in different grain exchanges are carried at a nominal value of \$1.00. Mortgages and agreements of sale amount to \$55,562.46. Other securities to the amount of \$2,661.00 include an investment in a flying school in Alberta, for training R.C.A.F. pilots. A similar investment in another school was paid off during the past year.

Employees' Pensions, \$300,066.34. This item represents the payment made to the Annuities Branch of the Dominion Government when the Employees' Pension Plan was set up in 1942, less amounts written off in each of the two past years. The whole amount is to be written off in a series of ten annual instalments, each instalment being regarded as an allowable deduction for expenses in calculating the Income Tax due each year from the Company. The plan has already proved of considerable value to the Company, both in retaining the services of employees under conditions which seemed to offer many members of the staff opportunities for more profitable employment elsewhere, and also in making provision for retiring a number of employees who have reached retirement age. Corresponding plans are in operation in other institutions conducting similar businesses.

The item of Bond Discount and Expenses \$103,908.98 arises in connection with the new bond issue, refunding the Company's capital debt. The transaction will be fully dealt with later.

The figure for capital assets \$11,721,786.17, shows the actual cost of acquiring capital assets including country and terminal elevators, sites, warehouses, machinery and office and other equipment. Depreciation reserves which have been set up from year to year now amount to \$5,924,125.54, so capital assets are carried into the Balance Sheet at \$5,797,660.63. Following is an analysis of the depreciation reserve:

# PROPERTIES AND DEPRECIATION RESERVE

July 31, 1943

	Book Value	Reserve For Depreciation	Net Book Value
Country Elevators, Cottages, Warehouses, Sheds, Sites, Etc.....	\$ 7,734,029.26	\$4,017,671.94	\$3,716,357.32
Terminal Elevator and Equipment and Sites .....	3,057,265.04	1,220,916.44	1,836,348.60
Printing Plant and Equipment and Sites .....	556,675.28	391,760.05	164,915.23
Miscellaneous Equipment, including office furniture and fixtures	373,816.59	293,777.11	80,039.48
	<u>\$11,721,786.17</u>	<u>\$5,924,125.54</u>	<u>\$5,797,660.63</u>

Not included in the above figures is the cost of temporary storage annexes built during 1940 and 1941 adjacent to country and terminal elevators. These are represented in the balance sheet by the amount of \$3,589.93, which is all that remains yet to be written off out of a total cost which was more than \$1,100,000.00. Under arrangements made with the Dominion Government the cost of such annexes was to be written off, for tax purposes, within two years following construction. Most of the cost had previously been written off but as will be seen when we come to the Consolidated Statement of Profit and Loss and Earned Surplus, the write-off for the past fiscal year amounted to \$245,395.30.

As the next item, Publication Establishment Account shows, the cost of establishing The Country Guide and acquiring the Nor'-West Farmer is carried at the amount of \$93,275.93.

The capital assets of the Company are thus carried at \$5,894,526.49 while the total assets of the Company at date of balance sheet amounted to \$28,127,827.17.

Turning now to the liabilities side of the balance sheet, current liabilities as already mentioned amount to \$19,717,609.25. This includes bank loans and over drafts to the amount of \$15,542,392.55, representing the largest amount at which the Company's bank borrowings have yet stood at the end of a fiscal year. Such borrowings were required on account of the heavy stocks of grain carried in the Company's country elevators.

Grain Cash Tickets and Orders Outstanding at \$1,401,680.92 represent mainly purchases of grain during the closing days of the fiscal year, the cash tickets issued in respect to which had not yet been cashed.

Accounts Payable and Accrued Liabilities at \$1,480,866.31 include accounts for binder twine and other supplies, as well as an instalment of \$250,000.00 coming due and since paid on Construction Loans. Bond interest accrued amounts to \$45,208.34.

Shareholders' Dividends at \$186,226.74 include the dividend declared for the past year of \$158,644.25 and unclaimed dividends from prior years amounting to \$27,582.49.

Patronage Dividend Reserve at \$775,000.00 includes an appropriation of \$400,000.00 for the past year, and one of \$375,000.00 for the preceding year. The item will be discussed later in this report.

The reserve for Income and Excess Profits Taxes amounts to \$251,415.11. That is after payments aggregating \$31,500.00 as instalments on income taxes, made during the year. Other taxes accrued amount to \$34,819.28, bringing the total tax liability to \$286,234.39.



Construction Loans payable stand at \$250,000.00. This represents the amount still unpaid of a loan for \$750,000.00 made during 1940-41 in connection with enlargement of the Company's storage facilities. \$500,000.00 of the amount has now been paid off, including the instalment above referred to.

The next item shows the Company's bonded indebtedness which stood at \$2,800,000.00 at date of balance sheet. That is the amount of a new bond issue made during the course of the past fiscal year, which enabled the capital debt of the Company to be refinanced on very satisfactory terms.

The previous bonded debt had been represented by bonds due in 1948 and 1949, which during previous years had been issued to a total amount of \$5,100,000.00, bonds of series "A" at the rate of 5 per cent to the amount of \$3,750,000.00, bonds of series "B" at the rate of 5½ per cent to the amount of \$750,000.00, and the bonds of series "C" at the rate of 4½ per cent to the amount of \$600,000.00. Something more than half of this total had been paid off during past years by the operation of a sinking fund to which annual contributions were made, and at the beginning of the past fiscal year there were still outstanding bonds which had not been redeemed and cancelled to the amount of \$2,530,500.00. It was decided to take advantage of a favorable opportunity in the money market, and a new issue of bonds was made at a lower rate of interest, while previously outstanding bonds were called in for redemption and were cancelled. All of the old bonds had been cancelled at July 31, except to the amount of \$186,500.00, which at that date had not yet been turned in by the owners. To take care of these as presented that amount of money has been placed on deposit with a trust company.

The new bonds issued were of two classes. The first, to the amount of \$1,400,000.00 was in the form of serial bonds. These fall due at the rate of \$200,000.00 each year during seven years from March 1, 1944, to March 1, 1950, and in accordance with date of maturity, they bear interest at the rate of 3 per cent, 3½ per cent and 4 per cent.

Sinking Fund bonds falling due in 1958 and bearing interest at the rate of 4¼ per cent, were issued to the amount of \$1,400,000.00. Commencing in 1951, after the serial bonds are paid off the Company will provide \$125,000.00 annually as a sinking fund towards redeeming these bonds.

Your Directors feel that in several ways this refinancing has been of decided advantage to the Company. By extending the term of repayment of the remaining bonded indebtedness, it removed any possibility that the Company might have to meet a comparatively large payment in the relatively near future. Smaller sums are required annually for Sinking Fund payments while the annual saving in interest charges will be substantial. In addition it provided some additional capital to meet the expansion in elevator facilities which will be referred to later. The success of the refunding operation was very gratifying not only for these reasons but also on account of the testimony which it afforded to the high credit standing of your Company.

The equity of shareholders in the Company is shown under the heading of Capital Stock, Reserve and Surplus. Of Class "A" non-cumulative preferred redeemable shares, authorized to the number of 200,000 of par value of \$20.00 each, there are now outstanding 145,079 shares, representing a par value of \$2,901,580.00. Out of an original issue of 148,000 shares 2,921 have been redeemed to date under authority provided in the Company's charter, as amended.

Of Class "B" membership shares, of which 200,000 are authorized of a par value of \$5.00 each, 55,557 shares have been issued to the amount of \$277,785.00. From these figures must be deducted 1,073 shares, to a value of \$5,365.00, which have been acquired and are held in the treasury pending resale. That makes the par value of outstanding Class "B" shares \$272,420.00 with a total for capital stock of \$3,174,000.00. The general reserve is \$1,647,057.42. The capital surplus as at July 31 stood at \$50,008.61. To that amount there has now been added \$30,740.00 arising from redemption of Class "A" shares during the year, making the total capital surplus \$80,748.61. The earned surplus, to be dealt with in a separate statement amounts to \$458,411.89. The shareholders' equity is thus brought to a total of \$5,360,217.92.

The total for the liabilities side of the balance sheet is \$28,127,827.17.

#### CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

Turning to the Statement of Profit and Loss and Earned Surplus, it is seen that profit for the year, subject to deductions to be noted, amounts to \$1,233,387.96. This amount was established after writing off an amount of \$245,395.30 in respect of temporary grain storage buildings, and also after providing \$400,000.00 which has been added to patronage dividend reserve.

Deductions from the amount of profit just mentioned include interest on bonds, \$119,534.52; directors fees, \$9,280.00; total amount paid as counsel and legal fees and salaries of executive officers who are directors of the parent company actively engaged in the management, \$34,400.16; contribution in respect to employees' pensions, including the amount written off inaugural payment, \$96,664.68; annual meeting expenses, \$17,636.74 and provision for depreciation of capital assets \$486,103.00. The total of these deductions is \$763,619.10, leaving an amount subject to taxation of \$469,768.86. After providing \$225,000.00 as provision for taxes under Dominion Income and Excess Profits Taxation Acts, there is left as net profit for the year the amount of \$244,768.88. That amount is to be added to the amount of earned surplus as at July 31, 1942, of \$438,418.04, giving a total of \$683,186.90. From this a deduction has to be made of \$19,629.50 representing appropriation for redeeming during the past fiscal year 1,537 Class "A" preferred shares. The dividend of 5 per cent to shareholders, absorbed \$158,644.25. Also to be deducted is an item of \$46,501.26 for refinancing expense. This included the premium and expense incurred in respect of bonds retired during the year amounting to \$36,091.76 and the proportionate amount written off discount and expenses on bonds issued during the year of \$10,409.50. These deductions from earned surplus account amount to \$224,775.01 and the earned surplus account is accordingly carried forward to the amount of \$458,411.89.

#### SUBSIDIARY COMPANIES

The Balance Sheet and the Statement of Profit and Loss and Earned Surplus are consolidated statements incorporating completely the position and results of United Grain Growers Limited and subsidiary companies. The subsidiary companies are owned entirely by United Grain Growers Limited and consequently the consolidation of accounts presents the picture of the financial position of the whole institution and of its operating results for the year. Four subsidiary companies were active during the past

fiscal year and each contributed substantially to the net earnings of your Company. United Grain Growers Terminals Limited is the subsidiary company through which the Company's terminal elevators are operated, and forms an essential part of the grain business of the Company. The Public Press Limited and The Country Guide Limited are the companies through which printing and publishing of the Company's magazine is carried on, and through United Grain Growers Securities Company Limited an insurance business is conducted. More detailed reference will be made later to these companies. Two subsidiary companies, the Grain Growers Export Company Limited and United Livestock Growers Limited, continued to be inactive throughout the year as has been the case for some time.

The whole Board of Directors of United Grain Growers Limited constitutes the Board of Directors of each subsidiary company.

### EXPANSION OF THE COMPANY'S ELEVATOR SYSTEM

Your Company's elevator system was expanded to an important extent during the past year with 528 country elevators owned and operated at the end of the year as against 446 at the beginning, an increase of 82 elevators. A total of 92 country elevators were bought and ten were sold, while two new elevators were obtained in exchange for two formerly operated by the Company. In addition the Company acquired the lease of a terminal elevator at Victoria, B.C.

This expansion came about principally through purchase by the Company early in 1943 of the physical assets of the Gillespie Grain Company, which had operated a line of country elevators, mainly in Alberta with several in British Columbia, a grain processing plant in Edmonton and a terminal elevator in Victoria, B.C. The purchase price was \$512,000.00 paid in cash when purchase was completed. Of the 68 country elevators acquired, three of which are in British Columbia, a few have been resold, mainly at points where this Company was already represented. The Alberta elevators are mainly located in the northern part of that province.

The plant at Edmonton is a unit consisting of a country elevator, a semi-public terminal elevator and other facilities for handling grain and feed stuffs. A number of annexes, warehouses and cottages were included in the purchase.

In addition to physical assets purchased a lease of a terminal elevator owned by the City of Victoria, B.C. was assigned to the Company. Some years ago when that elevator was built, the city guaranteed bonds issued against it, and later took over ownership of the elevator when it had to make good on these bonds. Although it was little used during a number of years after construction this elevator is now kept filled with grain for storage. The lease from the City of Victoria is on an equitable basis with payment varying in accordance with earnings from operations.

This purchase of the Gillespie elevator system must be regarded as very satisfactory, extending considerably the Company's service to farmers of Alberta. The Gillespie Grain Company had previously conducted a large business to the satisfaction of its customers. But farmers have welcomed the entry into business by this Company at many points where it was not previously represented, and where the same measure of support elsewhere accorded seems assured.

In connection with the 528 country elevators above mentioned, there are 61 permanent annexes, 382 temporary annexes, 281 coal sheds, 248 flour

houses, 5 miscellaneous sheds and 245 cottages. The terminal elevator at Port Arthur which is owned by the Company has a capacity of 5,500,000 bushels, and temporary annexes adjacent thereto of 4,000,000 bushels, making a total terminal capacity at the lakehead of 9,500,000 bushels. It must be mentioned that although the annexes in question were for a time filled, they will shortly be quite empty, with the prospect of remaining so for a considerable time.

At Vancouver the Company operates under lease from the Dominion Harbour Board a terminal elevator with a capacity of 2,700,000 bushels, while that of the Victoria terminal just mentioned is 1,000,000 bushels, making the total at the Pacific coast 3,700,000 bushels and the total terminal capacity for the Company 13,200,000 bushels. This with country elevators and annexes gives a total capacity not far short of 45 million bushels. Corresponding capacity in 1939 was approximately 30 million bushels. It will be seen that during the past four years the Company has added, in permanent and temporary facilities, about 50 per cent to its previous grain storage capacity.

During the year the Company continued its regular policy of fully maintaining the elevator system in good operating condition. In previous years, before war priorities interfered, an extensive program of improvements to country elevators had been carried out, but present scarcities of material, machinery and men mean that further progress in that direction must be postponed until the end of the war.

Early in the past fiscal year, after some lengthy negotiations with members of the Board of Directors of the Alberta Pacific Grain Company, your Board made an offer for the purchase of the elevator system of that company. The offer was made subject to the approval of the shareholders of this Company, and had it been accepted, would have required a special general meeting of this Company to consider confirmation of the transaction. Our offer was not accepted, and the elevator system in question was otherwise disposed of.

#### FARM SUPPLIES DEPARTMENT

The Farm Supplies Department returned satisfactory earnings in relation to capital employed and, what has always been regarded as more important, continued to give highly valuable service to the company's customers. Benefits to the farming community from this department of the Company's business arise not only by reason of its actual sales but also in standards of price, quality and service which have had a wide influence throughout the west. It is well to remind ourselves each year that it was United Grain Growers Limited which, through its Farm Supplies Department, first made possible the buying of commodities in carload quantities at wholesale prices by local co-operative farmers' associations, a business which has now grown to large proportions throughout western Canada.

During the past fiscal year the volume of coal business handled exceeded that of any previous year. That fact testifies not only to the confidence of customers but also to the Company's ability, through connections built up over a long period, to obtain supplies under difficult conditions.

Some highly interesting problems have developed in the Farm Supplies Department as the result of war. The manufacturers of U.G.G. twine formerly relied to a large extent on fibre imported from the Philip-

piners and from Africa, sources cut off by the progress of the war. By international agreement fibre supplies available in different parts of the world were apportioned between different countries and Canada had to rely mainly on sisal produced in Mexico, re-inforced last year to a certain extent with cotton. It is probable that the clearing of the Mediterranean will result in next year's twine being made partly from Indian jute. It has been possible to maintain the ceiling price on binder twine only because the Government of Canada has subsidized, at considerable cost, the import of fibre used by manufacturers. The Company had an interesting experience during the past year when a quantity of twine, moving at sea from one country to another, was impounded by naval authorities and brought into a Canadian port where this Company bought it. Hardly had this twine been placed on railway cars for shipment to western Canada when it was again impounded in order to meet emergency needs for twine in Great Britain because of a large crop there. The Canadian Government then made available to this Company a supplementary quantity of twine manufactured in Canada to meet western needs.

#### UNITED GRAIN GROWERS SECURITIES COMPANY LIMITED

Earnings of this subsidiary company were again substantial and were well in excess of those of the previous year. Through the Securities Company an insurance department is conducted. Insurance is placed on the Company's own properties and grain in its elevators and in addition a considerable volume of insurance is written for the general public on the farms and in the towns and cities of western Canada. Both branches of the business showed increased volume and increased earnings. Particularly interesting was an increase in hail insurance business written for farmers, protection which proved to be very valuable on account of extensive hail losses. In addition to hail insurance the Securities Company handles fire, automobile and other branches of insurance through a large number of local agents at different points in the prairie provinces as well as through the offices at Winnipeg and Calgary which are always glad to furnish information on insurance to customers.

#### THE COUNTRY GUIDE LIMITED AND THE PUBLIC PRESS LIMITED

Each of these companies had a satisfactory financial year and was able to continue the well established record of contributing substantially to the earnings of the whole Company. Shareholders can continue not only to take satisfaction in the financial results of the Company's investment in The Guide, but also to feel pride in the leading position held by this monthly magazine among the publications of western Canada as well as among the agricultural publications of all Canada. That it is highly valued by its readers is shown by a paid-up circulation maintained at more than 185,000 copies monthly.

During the past year the management had a survey conducted by an impartial outside agency of reader interest in The Guide and in its different departments. Some highly useful information was secured, as had been planned. It was particularly interesting to learn through this source of the high degree of preference accorded to The Guide in comparison with other publications circulating in the West. That The

Guide enjoys the confidence of advertisers is shown by a well maintained volume of advertising. There would be a demand for still more space than is now being used by commercial advertisers if it were not for the fact that many regular advertisers have had to suspend entirely the manufacture of their ordinary products or continue with only a limited volume as plants and materials have been devoted to war needs. At present The Guide is prevented from accepting much more advertising or from publishing larger issues because, as the result of a paper shortage, the quantity of paper which can be used by any publication is strictly rationed.

Editors of The Guide are constantly called upon by Dominion and Provincial authorities to attend conferences where policies on various agricultural problems are discussed. By bringing difficulties to light in such discussions and by publication, and by giving readers authoritative account of changes in problems and policies, The Guide performs an important service to western agriculture.

The plant in which The Guide is printed is operated by The Public Press Limited, which also does a considerable volume of commercial printing in which it has a reputation for high-class work.

#### MANUFACTURE OF PRODUCTS AT EDMONTON

During the past fiscal year the Company's feed manufacturing plant at Edmonton was completed, an operation which had been subject to some delay because of the scarcity of machinery, and the need for securing priority permits for purchases. A large line of feeds is now being manufactured and distributed in the Edmonton area, and these are labelled under the "Money Maker" brand. These different feeds, scientifically compounded from ingredients carefully chosen, have already given a large measure of satisfaction to feeders who have been able to get supplies. It is not yet possible to operate the plant to maximum capacity, since some necessary ingredients, and particularly those of high protein content, are scarce and difficult to obtain.

The Edmonton plant produces alfalfa meal for use not only in the Edmonton area but also for shipment to the Pacific Coast. It thus provides a service important not only to consumers but also to producers of alfalfa in Alberta whose market is thereby enlarged. The outlet for alfalfa meal, the Directors believe, can be developed to an important extent, warranting greater production of alfalfa in the province.

From such a plant it is possible to give service only in a somewhat limited area, and before a corresponding service can be given to the Company's customers in other parts of the West, it will be necessary to establish feed plants at other centres. For such a development, however, it will be necessary to wait until machinery, labor and supplies are more easily obtained. The ultimate demand in western Canada for feeds of this sort will depend upon the extent to which the livestock industry of western Canada is maintained after the war.

The Company is also manufacturing at Edmonton, in the plant taken over from the Gillespie Grain Company, a packaged cereal breakfast food. The former owners of the plant had developed this product, which customers who had become familiar with it, continue to demand.

Samples of the different products of the Edmonton plants will be found on display outside of the meeting hall.

### PATRONAGE DIVIDEND RESERVE

The Patronage Dividend Reserve now requires discussion. It will be recalled that for the fiscal year ended July 31st, 1941, a patronage dividend amounting to \$200,000.00 was declared and paid by the Company. For the fiscal year ended July 31st, 1942, the sum of \$375,000.00 was set aside for patronage dividend reserve but not yet paid out, and for the past fiscal year another amount of \$400,000.00 has been appropriated to patronage dividend reserve and also has not yet been paid out.

There was formerly good reason to believe that patronage dividends paid would be exempt from income taxation. However, as was reported to the annual meeting last year, announcement was made by the Government of Canada that the question of taxing patronage dividends was under review. Shortly after the last meeting we received notice from the Income Tax Department that the Company would be assessed in respect to amounts paid or appropriated as patronage dividends. Actual assessment, however, has not yet been made. Moreover we are informed that certain cases are now pending in the Exchequer Court of Canada, the decision of which will have a bearing on the ultimate taxation of such amounts. If decisions of the Exchequer Court are such as to relieve this Company of taxation on the amounts in question, it will become possible to pay in patronage dividends, the whole amount of \$775,000.00 which is in reserve. If, on the contrary, the Exchequer Court should sustain the opinion already expressed by the Income Tax Department, it would be necessary to pay over in taxes all but a small part of this amount. That fact results from the very high rates of taxation which are now applied to the earnings of companies.

If the opinion of the Income Tax Department had been accepted as final, this Company would have already paid in taxes something like 85 per cent of the amount now in patronage dividend reserve. In refraining from doing so, no question arises of resisting taxation properly applicable to your Company's business. On the contrary, the Company is simply awaiting final decision as to what taxes are imposed under the laws of Canada as they now stand. In dealing with this matter the Board of Directors has been governed by two principles which have been stated in previous annual reports. In the first place the Company fully recognizes the duty and obligation of every individual and institution in the country to pay such taxes as may be required and imposed, and most especially in wartime. That is an attitude which the Board of Directors feels sure is shared by every member-customer of this Company. The importance of the principle is emphasized, so far as farmers are concerned, by the increasing weight of income taxation to which they as individuals are now subject. On the other hand, the principle of equality of treatment must be maintained, and full recognition accorded to the fact that this Company and its member-customers are fully entitled to take advantage of any tax exemptions which may be accorded by the Government and the Parliament of Canada in respect to the earnings and payments of any co-operative institution.

It seems probable that during the current financial year, the tax question will be finally disposed of and the amount of patronage dividend reserve paid out, either to the member-customers of this Company or to the taxing authorities of Canada.

### CAPITAL STOCK RE-ORGANIZATION

Re-organization of the Company's capital stock, which has occupied the attention of a number of annual meetings, was fully completed prior

to the meeting a year ago and reported on at that time. That re-organization will naturally be followed by some re-organization of shareholders' locals. By establishing new locals and consolidating others it can be made more convenient for a large number of new shareholders to take a full part in the business of the Company. It has not been possible to carry such a project to completion prior to this meeting as obstacles in the way of travelling made it impossible for the Company's representatives to get around the country as would have been desirable. Quite possibly some progress may be made in connection with this plan before the next annual meeting, but it may still be necessary to proceed slowly until travel conditions again become easier.

Results of the capital stock re-organization have been highly satisfactory. In the first place, by establishing membership shares with the low par value of \$5.00, it has been made easier for every customer of the Company to become a member and take part in the business of United Grain Growers Limited. That is important as continuing the solid foundation of your institution on the basis of customer control. The Company is now thirty-seven years old and with the passage of time it is necessary each year to record the death of a considerable number of shareholders, as well as the retirement from active farming of others. Under the new plan the places of former members can steadily be taken by new customers.

Due to creation of 5 per cent Class "A" preferred, non-voting shares a market has been provided for those who find it necessary to dispose of their holding of shares. Investment interest in the preferred shares is gradually and steadily developing and the market thus created is strengthened by the fact that the Company is now empowered to buy in and retire such shares. That has been done during the past year to the extent of 1,537 shares, a process which tends to increase steadily the equity behind the remaining shares. On the whole the shares of this Company are firmly held by the owners and most of those which come into the market do so through the liquidation of estates of deceased shareholders.

#### **BORROWING POWERS OF THE COMPANY**

This meeting will be asked to pass a resolution confirming a by-law passed by the Directors during the past fiscal year increasing from 15 million dollars to 30 million dollars the amount of money which may be borrowed on the Company's credit from the banks. Larger borrowing powers are required now than formerly because of the large quantity of grain now carried in the Company's elevators and also on account of higher grain prices than formerly prevailed. The Company must find money from its own resources and credit both to pay for grain bought outright at its country elevators, and also grain which it receives there as agent for the Canadian Wheat Board. Not until Board wheat is delivered at terminal elevators is the Company re-imbursed by the Wheat Board.

#### **CORA HIND FELLOWSHIP IN AGRICULTURE**

At the last annual meeting delegates placed on record "their deep appreciation of the work of the late Ella Cora Hind, LL.D., one of their fellow shareholders, whose work for some thirty years in the interest of rural Canada was constant and outstanding."



The meeting authorized the Board of Directors to set apart or contribute a sum of money for the furtherance of some branch of agricultural research, peculiarly required under prairie conditions, as a tribute to Miss Hind's life of service.

Your Directors decided that the tribute authorized should take the form of a research fellowship in agriculture at the University of Manitoba. In establishing that they have had the sympathetic co-operation of the University.

The fellowship will be awarded in April of each year to a graduate in agriculture or science of any approved university who will carry out a project of research in Plant Science or Animal Science under the direction of the University. The holder of the fellowship will be paid \$1,000.00 during the year and the University will provide accommodation and facilities for his research. The University has set up a committee of selection, on which the Company is represented by one of the Directors, Mr. R. C. Brown. The first holder of the fellowship was appointed in April and is now at work on a project of determining causes of failure of alfalfa crops to set seed. It may be hoped that in due course substantial benefits to western agriculture will accrue from this research.

#### SOME PUBLIC SERVICES

Mr. J. E. Brownlee, First Vice-President was appointed and served during the year as a member of the Agricultural Sub-Committee of the National Reconstruction Committee. Mr. R. C. Brown of the Board of Directors continued to serve on the Advisory Committee of the Canadian Wheat Board. Extensive service was given on various Victory Loan Committees by the President and by other members of the organization. The Company was represented on March 24th and 25th, 1943, at a meeting of the Farm Chemurgic Council held in Chicago, and Mr. Brownlee served on the Chemurgic Committee of the Canadian Chamber of Commerce. This Company some years ago took the lead in Canada in urging the application of research towards finding new agricultural uses for farm products. The Company was represented at a conference held by the National Film Board of Canada in Saskatoon during September. That serves as a reminder that this Company was the first to make and show in western Canada, educational films relating to agriculture.

During the year a fuel crisis developed in Canada. The Minister of Munitions and Supply requested assistance from this Company, and the services of Mr. J. S. Whalley, head of the Farm Supplies Department, because of long experience in dealing with fuel problems in western Canada. Although it meant inconvenience to the Company during a busy season, Mr. Whalley's services were made available at no cost to the Government and he was appointed Cordwood Fuel Controller for the Dominion of Canada. It was a matter of satisfaction to be able to help in this way, and also that the competence of a member of this organization for national service was thus recognized.

#### LOANS ON FARM STORED GRAIN

In 1941 this Company took the lead in urging that the Government of Canada establish a system making possible loans on grain which had to be stored on farms because of the congestion of country elevators. As was reported at the annual meeting in 1941, the plan suggested was

carefully considered by the Government and presented to the Chartered Banks for consideration. They were reluctant at that time to participate, and the difficulties expected in 1941 were otherwise solved, principally by the building of a large amount of temporary storage capacity in annexes to country and terminal elevators.

During the summer of 1943, some months before it had decided on its new grain policies for 1943, the Government evidently became concerned about financial difficulties which might face farmers because of limited opportunities to deliver grain at harvest time. As a result, your Board of Directors was asked to consider some proposals from the Department of Finance of the Dominion Government under which this and other elevator companies might lend money on farm stored wheat, deliverable during the year under quotas. The government's participation would have been represented by prescribing the terms and conditions of loans, by guaranteeing the banks against any loss they might experience on money advanced to the Company for this purpose, and by assuming one-half of the losses which might accrue to the Company. The Company would have assumed responsibility for making the loans, and losses arising therefrom except for the share assumed by the Government. After very careful consideration, the Board of Directors advised the Minister of Finance on August 17th that it could not accept the proposals, a step taken in spite of information to the effect that certain elevator companies were prepared to go into such a plan. To your Board the principles of the plan did not appear to be sound and in addition, as stated in the letter to the Minister of Finance:

"No plan on the basis suggested could be operated on a scale sufficient to meet any considerable need. To accept the plan would be against the interests of the Company's customers by preventing the development of a really sound plan to meet present and future needs for loans on farm-stored grain."

At the same time the Company urged that the Government put money into the hands of farmers by closing the accounts of the Canadian Wheat Board for past years and distributing proceeds due to holders of participation certificates. That is something which has since been authorized.

#### ADJUSTMENT ON AUGUST AND SEPTEMBER WHEAT PRICES

During August and September of this year street prices offered for wheat in the country were at unusually wide spreads under prices quoted at the same time in the Winnipeg market. All elevator companies found such wide spreads necessary, both because of special conditions which prevailed in the market, and because they did not know when grain then bought might be got forward to fill future sales contracts. They were prevented from shipping wheat then bought, by transportation difficulties, by orders of the Canadian Wheat Board, and by the fact that the Wheat Board insisted on having its own wheat shipped forward.

As soon as the new government wheat policy was announced it was obvious that some adjustment should be made in respect to prices paid during August and September as the extra protection taken in the light of special market conditions has proved to be unnecessary. Announcement has just been made over the radio and otherwise, that all elevator companies including United Grain Growers Limited, the Line Elevator Companies and the Pools have worked out the basis of such adjustments and will shortly be prepared to make payments to farmers in this respect. Later announcement will be made of the date of payment.

## THE CANADIAN FEDERATION OF AGRICULTURE

The Canadian Federation of Agriculture of which the Company is a member and to which it makes substantial contributions, held its annual meeting in Calgary from January 28th to 30th, 1943. Following that meeting the annual submission of the Federation was made, according to custom, to the Government of Canada. As that submission has been fully published, it need not be repeated here. The Federation has had repeated occasion to recommend to the Government changes in policy, and greater recognition of the position of agriculture as an essential war industry. The presentation made last January acknowledged some substantial improvements in the position of agriculture, and still further improvements will have to be acknowledged when the Federation next makes a presentation. There can be no doubt that the Federation has played a substantial part in bringing about such improvements, not only through its annual presentations but also as a result of the close contact maintained by its officers with the Government and with officials of the Government. The fact that the head office of the Federation is maintained in Ottawa facilitates such contact. Representatives of the Federation have been appointed to the Dairy Advisory Board, the Beef Advisory Board, the Fruits and Vegetable Board, the Income Tax Committee, the National Reconstruction Committee, the National War Finance Committee and other public bodies. Such contact between organized agriculture and the Government of Canada has become increasingly important as the welfare of agriculture has come more and more to depend upon national policies. There can be no doubt that Canadian agriculture needs, and will continue to need the type of representation that the Canadian Federation of Agriculture was organized to give.

Your Directors believe that further financial support will be required if the Federation is to accomplish all that should be expected of it.

## FARMERS' INCOME TAX

Income Tax problems of farmers have recently assumed a good deal of importance. The income tax law, which assesses income arising during each year, was drafted to suit the circumstances of other parts of the population, and is not well adapted to the farming industry, where income varies greatly from year to year. A large number of other difficulties were experienced when farmers were required to file income tax returns. Such problems have been kept under study by your Board of Directors and by those at the head office of the Canadian Federation of Agriculture. Officers of the Federation have been in close contact with Income Tax officials, and a submission on this subject was made by the Federation to the Government of Canada in January, 1943. Mr. H. S. Fry, one of the Editors of *The Country Guide*, served on a special Manitoba Committee appointed by the Income Tax Department to study such problems. The whole subject was reviewed in an article by Mr. Fry in *The Country Guide* of December, 1942. Something has been accomplished in improved income tax forms and in more satisfactory interpretation of rules, although much still remains to be done in this respect.

Farmers are now allowed to offset losses incurred in one year against the income of the following year, but are not yet allowed, for tax purposes, to average income over a longer period. This subject still requires a good deal of study and work by all farmers' organizations.

The *Farm Account Book*, published by this Company and distributed without charge to customers has proved to be very valuable in keeping farm accounts for Income Tax purposes.

## FARM DEBT ADJUSTMENT

At the last session of Parliament a new Farmers' Creditors' Arrangement Act was passed. This was the direct result of a series of western conferences on debt adjustment in which this Company had participated, and representations resulting therefrom made to the Government at Ottawa. Although action secured fell short of what was asked for, at least the new Act restored the benefit of debt adjustment to the province of Manitoba, which for several years had been excluded from the old Act. In addition, some benefits will accrue from the opportunity now available to have reviewed earlier adjudications made under the old Act.

## THE INTERNATIONAL FOOD CONFERENCE

The International Food Conference called by the United States and held at Hot Springs, Virginia, for three weeks from May 18th to June 3rd, 1943, must be regarded as very important. Its deliberations called attention to the actual shortage of food in the world, to the need for increased production and to the need for clearing the channels of trade and taking other measures to allow food to flow to those who will need it as soon as the war is over. It is being followed up by the establishment of a permanent organization, the efforts of which if successful will result in increased food supplies and also in an increased flow of foodstuffs in international trade from surplus producing countries like Canada to those countries which require food imports. It is very gratifying that the interim commission which is working on the details of the permanent organization is headed by a Canadian, Mr. L. W. Pearson of the Canadian Ministry at Washington. How useful the permanent organization will be is yet to be determined, but already the Conference may be said to have been of great importance to western Canada. It has disposed definitely and completely of any ideas that there is a burdensome world surplus of food whether in the form of wheat or otherwise, and equally of any idea that Canadian production of foodstuffs should be restrained. Rather it now appears that there will be a world need for all that Canada can produce. In every quarter increasing attention is now being paid to tremendous problems of supplying food when the war is over or as the end of the war approaches.

In advance of the Conference your Company sent to the National Re-construction Committee a memorandum urging that Canada take advantage of the Conference to attempt to bring about an international convention designed to make wheat a free trade commodity throughout the world. With the endorsement of the agricultural section of that Committee the Company's memorandum was forwarded to the Government and transmitted to the Canadian delegation at the Conference. There is reason to believe both that it influenced deliberations there and also reason to hope that it may yet have an effect through the permanent international organization to be created.

A year ago it was necessary to review the Washington Wheat Agreement of 1942, an agreement very largely based on ideas of attempting to limit and control world wheat surpluses. The new international approach to food problems is much more soundly based and much more promising.

## DEVELOPMENTS IN CANADIAN GRAIN POLICY

Since the last meeting of this Company important changes in the agricultural policy of the Dominion Government, and more especially with respect to grain, have placed the grain growing industry of western

Canada on a much sounder basis than previously existed, a basis which seems to promise for a time restoration of a satisfactory relationship between that industry and other sections of the Canadian economy. It will be convenient to review these developments under several headings.

### **I—Representations by United Grain Growers Limited**

Your Company, in accordance with its long established tradition, continued during the year to speak on behalf of western agriculture and may justly claim to have exercised an important influence in bringing about the improvements to be mentioned. In calling attention to that fact there is no desire to deny full credit either to those other organizations which also worked on behalf of agriculture or to the Government for what has been accomplished. Representations by your Company were made at different times and in different forms. They included a Statement on Agricultural Policy for 1943, presented at the last annual meeting of the Company and to the Canadian Federation of Agriculture, of which the Company is a member; a presentation by the Canadian Federation of Agriculture to the Government of Canada on February 9th, 1943; the Statement to the National Reconstruction Committee on May 1st, already referred to; a letter to the Minister of Finance on August 18th urging final settlement on outstanding participation certificates issued by the Canadian Wheat Board; and statements authorized by the Board of Directors on August 17th, subsequently widely published, and followed by interviews with members of the Government. It is a matter of satisfaction to observe the close accord of policies finally decided on with what this Company has advocated.

### **II—New Wheat Policy**

A new wheat policy was announced by the Government of Canada on September 28th, 1943. During the whole of the past crop year the policy had remained as during the previous year with the Wheat Board initial payment based on 90 cents per bushel, and with farmers left free to sell their own wheat when better prices were available in the open market.

Total western wheat deliveries of 280 million bushels were authorized for the crop year, and individual wheat delivery quotas were increased from time to time up to 15 bushels per authorized acre. Congestion of country elevators prevented these delivery quotas being all completed before July 31st, 1943, and they consequently had to be extended into the new crop year. Early in 1943 it was announced that the 90 cent basis for the Wheat Board initial price would be continued into 1943-44 and that the maximum wheat delivery quota would be 14 bushels per authorized acre. A year ago reference was made to the repeated efforts of this Company and other organizations to have the Wheat Board basic initial payment advanced to \$1.00 per bushel but it was also stated that except on the basis of new facts it would be difficult to get the government's decision altered. Such new facts developed during the year.

For the first eight months of the 1942-43 crop year market prices for wheat remained at or only slightly above the 90 cent basis and during that time practically all wheat delivered by farmers went to the Wheat Board. Commencing in April a rise in market prices began which resulted in all wheat deliveries being sold on the open market.

The advance in the market continued gradually but almost without interruption until on September 27th the basic price was close to \$1.25 per bushel. Then the Government announced that the wheat futures

market would be closed, and that all deliveries of wheat by farmers were to be made to the Wheat Board on an initial price basis of \$1.25 per bushel. That basis is to continue until July 31st, 1945.

It may be frankly recognized that this step was intended to prevent wheat prices going higher, as quite probably would have occurred.

The first two paragraphs of Order-in-Council P.C. 7942 by which the new policy was authorized read as follows:

"WHEREAS by reason of wartime developments it is deemed necessary that the Government of Canada should exercise greater control over the marketing of Canadian wheat so that supplies of wheat and wheat flour may be made available at appropriate prices, as required for domestic use and for shipment abroad to countries in receipt of Mutual Aid;

"AND WHEREAS under existing financial arrangements with Canadian flour millers and with countries in receipt of Mutual Aid, the Government of Canada has been, in effect, the ultimate buyer of large quantities of wheat and at the same time has been acting through the Canadian Wheat Board as the farmers' selling agent, thus placing dual and opposing responsibilities upon the Government which it is desirable to avoid;"

Your Board of Directors had anticipated that, for reasons as above stated, the Government might wish to close the market. Meeting on August 17th the Board had authorized a statement which was published extensively and brought to the attention of the Government, in which it was declared that if the Government should close the market through a desire to prevent prices going beyond a certain level, a basic price of \$1.25 per bushel was the lowest which should be established.

It was also announced by the Government that accounts of the Wheat Board for the crops of 1940, 1941 and 1942 would be closed out and final settlement made on outstanding participation certificates for those crops. That step, which will result in the distribution of tens of millions of dollars among western farmers is being accomplished by sale to the Government of Canada at closing market prices on September 27th of all wheat previously held by the Wheat Board. (The Government has also taken over, on the same price basis, all other western wheat in commercial positions in Canada at that date). That step corresponds with the published recommendation of this Company which had pointed out the conflicting responsibilities which are referred to in the Order-in-Council above quoted. The Company had urged that the Government buy for its own account wheat then in the hands of the Wheat Board and thus allow settlement to be made on outstanding participation certificates. The Company had pointed out the need for the Government to acquire wheat to be furnished to Great Britain, and for other war purposes, and had declared that farmers would be prepared to dispose of their remaining interest in Wheat Board stocks at prevailing market prices. The need had also been strongly urged for making final settlement to farmers on the outstanding participation certificates. This corresponded with advice given to the Government two years earlier when the Company had declared that accumulated wheat in Canada should be considered as a wartime reserve, the carrying of which by the Government as well as keeping it out of the way of subsequent marketing by farmers, was a proper and necessary part of the wartime policy of Canada.

The soundness of the advice given by this Company has been confirmed in the policy actually adopted by the Government.

It is to be noted that this Company had not advocated the closing of the wheat futures market but did recognize that step as probable, on account of the extent to which wheat consumed in Canada or supplied to other countries is actually being furnished at the cost of the Government of Canada.

Order-in-Council P.C. 7942 specifies that wheat acquired by the Government is to be used, in priority to all other wheat, for domestic requirements in Canada, for supplies to Great Britain and for wheat supplied to other countries under Mutual Aid or otherwise, at the expense of the Canadian Government. There will consequently be left only a narrow market, at present mainly in the United States, for producers' deliveries. For some time such wheat will undoubtedly accumulate in the hands of the Wheat Board. Whether such stocks will later in their turn be turned over to the Government, or will be otherwise sold, will depend upon developments which cannot now be predicted. But in the meantime producers are assured of a price which will be accepted as reasonable under the circumstances, a price which by government announcement is guaranteed not only for the remainder of this crop year but also for the crop year 1944-45.

### III—Oats and Barley

For the crop year 1942-43 western farmers were guaranteed basic minimum prices, at lakehead terminals of 60 cents a bushel for barley and 45 cents a bushel for oats. As was reported a year ago, recommendations by this Company played an important part in bringing these about. The guarantees had an important effect in increasing coarse grains acreage seeded in 1942 but played a comparatively small part in returns actually received by farmers. For a brief period, at the beginning of the past crop year, market prices were as low as the guaranteed bases, and were sustained there only by a certain amount of buying by the Canadian Wheat Board, authorized by the Government in order to make good the price guarantees. However, market prices rapidly moved up, as a result of increased demand, mainly from the United States, and were prevented from going higher only by ceiling levels of 51½ cents per bushel for oats and 64¾ cents per bushel for barley, which levels, established some time previously under government price control policy, governed the market prices of practically all grades of these grains during most of the crop year.

A year ago this Company, foreseeing the great demand for Canadian feed grains which actually developed in the United States, urged the importance of developing that outlet, and also urged that western farmers be given full advantage of it by removal of ceiling prices on oats and barley. This request was not acceded to by the Government but to give western farmers some advantage of the market south of the line, as well as to maintain ceiling levels in Canada, the Government instituted a system of "equalization fees" on licenses granted for export of oats and barley to the United States.

Prices for these grains were much higher in the United States than in Canada, and equalization fees, fluctuating in amount from day to day were intended to make up the difference. Soon the Canadian Wheat Board will distribute to all farmers who delivered oats and barley from April 1, 1943, when this policy went into effect, to July 31, a proportionate share of money collected from this source.

For the current crop year a different plan has been adopted. Instead of waiting until the end of the crop year to pay out money collected in equalization fees, there is being paid, as an advance on account of such fees, ten cents a bushel on oats and fifteen cents a bushel on barley at the time of delivery of grain to a country elevator, or at the time when it is weighed there in the case of sales made directly from one farmer to another. Although considerable quantities have been exported to the United States, such shipments have been limited. There have been transportation and labor difficulties and at times Canadian authorities have refused to issue export permits in order to keep all available feed grain for movement to eastern Canada. Anxious as the Government no doubt is to cultivate the market in the United States for Canadian oats and barley, it has assumed a primary responsibility to get forward to eastern Canada all western feed grain that may be required there. Needs in the east are very large this year on account of poor feed crops harvested in 1943.

Amounts paid out to farmers this year as advances on equalization fees will probably reach 25 million dollars, representing a very substantial benefit from the market demand in the United States, even although it falls far short of the benefit which would accrue if exports to the United States were not restricted by permit and if the full benefit of market demand and prices there were allowed to be reflected in the Canadian market. Equalization fees have for some time been very high, in the neighborhood of 40 cents a bushel on oats and 50 cents a bushel on barley. In spite of that fact it is by no means sure that the amounts collected during the current crop year will leave any surplus later to be paid to farmers. If the Government does not collect for export permits as much as is paid out to farmers, that fact will not represent any undue advantage to western producers. It will simply mean that they are getting some compensation at government expense for the fact that they are not allowed to sell their oats and barley to best advantage but instead these grains are being kept in Canada in connection with the government's wartime policies.

It is not only for feed purposes that Canadian grain has been in demand in the United States. A great deal of barley has been required for malt, used along with wheat for the production of industrial alcohol and some Canadian oats have been used for milling purposes.

#### IV—Flaxseed

When the flax crop was seeded in 1943, it was under a guarantee from the Dominion Government of a price based on \$2.25 per bushel for No. 2 CW Flax in store at the head of the lakes. A year ago in the annual report the directors of this Company had pointed out that it was desirable to bring about considerable increase of the flax area in western Canada because of the scarcity of fats and oils on this continent resulting from war conditions, and it was suggested that a guaranteed basic price of \$3.00 per bushel would bring about this expansion.

Farmers are now to receive a basic fixed price of \$2.50 per bushel, an increase which the Dominion Government has put into effect because of the high prices at which it is possible to sell Canadian flax exported to the United States. The Canadian Wheat Board, the sole primary purchaser of flax, sells it to Canadian mills on the basis of the ceiling price of \$1.64, which represents a loss, while a profit which offsets this is realized on shipments sent to the United States.

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A review of the successive annual reports of this Company, from 1939 to the present, shows a long record of representations on behalf of western agriculture. Such representations have consistently been based on one



principle, that of enabling agriculture, during the war, to serve the national purpose, and the purpose of the United Nations with full efficiency. On the part of the Government, of Parliament and of the public generally there has come about a greatly improved appreciation of the place of agriculture in the national economy, of the contribution of agriculture to the wartime strength of the country, and of the conditions necessary to enable agriculture to function efficiently. Such changes have tremendously improved the financial position of western farmers.

Concurrently there has come about a change in the attitude of those engaged in agriculture, who are now able to discuss their problems, not in the spirit of seeking redress from grievances, but in that of playing a full and effective part in the life and effort of Canada.

Agricultural policies now in effect are from their very nature, temporary only, as they are essentially war policies. It is necessary to make some suggestions for further changes, but these will be reserved for a separate report to be submitted later in this meeting.

### CONCLUSION

As this report has shown the past year has been an eventful one, both for United Grain Growers Limited and for western agriculture generally. The rapid development of the war situation is certain to bring about further changes affecting agriculture generally, and also the responsibilities and conduct of this Company as an institution. To meet these changing circumstances both in respect of the Company's business and in respect of agriculture generally will require constant vigilance on the part of your Company.

Once again the Directors of United Grain Growers Limited wish to acknowledge the continuing loyal support given to it by many thousand customers, most of whom are now member shareholders of the Company. It is on such support consistently given during a long period of years, that the success of this institution has been built.

Acknowledgment is also due of the loyalty and efficiency of the Company's staff on which the Board of Directors has been constantly able to rely. Special mention must be made of those members of the staff, both men and women who are serving in the different branches of the country's forces. Nearly 150 members, drawn from all branches of the Company are to be found in the Army, the Navy and the Air Force in many different ranks and in many different parts of the world. The good wishes of the shareholders will follow these members of the staff in their services to their country.

The war outlook has greatly changed since the shareholders' delegates were assembled a year ago. Immediately after that time there began the great campaign which cleared the enemy out of North Africa and which has taken the allied forces far into Italy. The year has also seen tremendous advances on the part of our Russian allies as well as successes in other parts of the world. Long and difficult as the war may yet be there can now be full confidence in a victorious conclusion, confidence strengthened by the declarations of the recent Moscow conference. That fact increases the importance of preparation for the post-war period. Your Board has prepared for your consideration a separate report, which will be submitted later in the meeting, and which deals with some phases of such preparation in relation to the agriculture of western Canada.

# UNITED GRAIN GROWERS LIMITED

## Consolidated Balance

AND  
Sheet, J

### ASSETS

#### CURRENT AND WORKING ASSETS:

Cash on Hand and in Banks.....	\$ 531,402.68
Dominion of Canada Bonds.....	600,000.00
Par value \$600,000.00 at cost—quoted value July 31, 1943, \$598,500.00	

Accounts and Bills Receivable.....	622,578.82
Including advances secured by farmers' grain, storage and carrying charges and other accruals, after providing for estimated doubtful accounts.	

#### Inventories:

As determined and certified to by responsible officers of the Companies:

Stocks of grain which are net after deducting storage tickets outstanding, etc., valued at July 31, 1943, as to terminal stocks at closing market prices and as to country stocks on the basis of market quotations adjusted for handling and carrying charges ..	\$10,402,280.84
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Stocks of grain acquired on behalf, and deliverable to The Canadian Wheat Board valued at July 31, 1943, on the basis of fixed prices as set by the Board.....	8,623,582.85
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Twine, coal and sundry merchandise—at cost.....	857,842.35
	19,883,706.04

NOTE—By Order-in-Council P.C. 7942 the Dominion of Canada appropriated all Western wheat in commercial positions as at September 27, 1943, but no inventory loss is anticipated upon final settlement of company wheat stocks so appropriated.

Deferred Charges and Prepaid Expenses.....	133,413.36
	\$21,771,100.90

#### INVESTMENTS:

Memberships.....	\$ 1.00
Mortgages and Agreements of Sale.....	55,562.46
Other Securities—Common Stocks.....	2,661.00
At book values.	58,224.46
	300,066.34

#### EMPLOYEES' PENSIONS.....

Representing inaugural payment of \$375,083.00 to the Annuities Branch of the Dominion Government to meet, in part, the cost of annuities called for under the employees' pension plan less an annual write-off equivalent to ten per cent of the original payment.

BOND DISCOUNT AND EXPENSES—less Amount Written off.....	103,908.98
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#### CAPITAL ASSETS:

Country and Terminal Elevators, Sites, Warehouses and Other Equipment, etc.—at cost.....	\$11,721,786.17
Less—Reserve for Depreciation.....	5,924,125.54

	\$ 5,797,660.63
	3,589.93

Temporary Grain Storage Facilities.....  
Consisting of country and terminal temporary buildings at cost, less amounts written off.

Publication Establishment Account:.....	93,275.93
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Establishment costs of "The Country Guide and Nor'-West Farmer"—Net.	5,894,526.49
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\$28,127,827.17

#### AUDITORS' REPORT TO THE SHAREHOLDERS:

We have made an examination of the books and accounts of United Grain Growers Limited and its Subsidiary Companies for the fiscal year 1943. The cash in banks was confirmed by certificates obtained by us direct from the Companies' bankers and adequate provision has been made, in the consolidated balance sheet, for the depreciation of the Company's stocks of wheat, and the question of income and excess profits as above note regarding the appropriation by the Dominion Government of Company stocks of wheat, and the question of income and excess profits as provided for in full at the customary rates and the accumulated reserve for depreciation at July 31, 1943, amounts to \$5,924,125.54.

We have obtained all information and explanations we have required and, subject to the foregoing remarks, we report that, in our opinion, view of the state of the Companies' affairs according to the best of our information and the explanations given to us and as shown by the books of

Winnipeg, October 23, 1943.

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# AND SUBSIDIARY COMPANIES

Sheet, July 31, 1943

## LIABILITIES

### CURRENT LIABILITIES:

Bank Loans—Secured.....	\$15,437,000.00
Bank Overdrafts.....	105,392.55
Grain Cash Tickets and Orders Outstanding.....	1,401,680.92
Accounts Payable and Accrued Liabilities.....	1,480,866.31
Bond Interest Accrued.....	45,208.34
Shareholders' Dividends:	
Unclaimed Dividends of Prior Years.....	\$ 27,582.49
Dividend Declared—Payable September 1, 1943.....	158,644.25
	186,226.74
Patronage Dividends.....	775,000.00

Amounts allocated hereto for the 1941 and 1942 crop years but held in reserve pending clarification of the question of the Company's liability, if any, for income and excess profits taxes in connection therewith.

Reserve for Income and Excess Profits Taxes.....\$ 251,415.11

After applying instalment payments aggregating \$31,500.00 in respect of such taxes for current year.

Other Taxes Accrued.....34,819.28 286,234.39

\$19,717,609.25  
250,000.00

### CONSTRUCTION LOANS PAYABLE.....

Repayable on September 1, 1944.

### FIRST MORTGAGE BONDS:

Authorized.....\$7,500,000.00

Issued

Serial Bonds—maturing annually in the amount of \$200,000.00

3 per cent bonds—due March 1, 1944, 1945.....\$ 400,000.00

3½ per cent bonds—due March 1, 1946, 1947, 1948 600,000.00

4 per cent bonds—due March, 1949, 1950.....400,000.00

\$ 1,400,000.00

### Sinking Fund Bonds:

4¼ per cent bonds due March 1, 1958.....1,400,000.00

2,800,000.00

NOTE—As at July 31, 1943, redemption funds were held by the Trustee in respect of Series A, B, and C bonds (now retired) of a par value of \$186,500.00 which had not been presented for redemption and cancellation as at that date.

### CAPITAL, RESERVE AND SURPLUS:

#### Capital Stock:

Class A Non-Cumulative Preferred Redeemable Shares:

Authorized—200,000 shares, par value \$20.00 each

Outstanding—145,079 shares after redemption of

2921 shares to date.....\$2,901,580.00

Class B (Membership) Shares:

Authorized—200,000 shares, par value

\$5.00 each.....\$277,785.00

Deduct:—1,073 shares acquired and held in Treasury pending resale.... 5,365.00

272,420.00

#### General Reserve:

Balance July 31, 1942—unchanged.....\$ 3,174,000.00

1,647,057.42

#### Capital Surplus:

Balance July 31, 1942.....\$ 50,008.61

Add—Amount arising from redemption of Class A shares during the year.....30,740.00

#### Earned Surplus:

In terms of separate statement.....80,748.61

458,411.89

\$ 5,360,217.92

Approved on behalf of the Board of Directors:

R. S. LAW

J. E. BROWNLEE

} Directors

\$28,127,827.17

\$21,771,100.90

58,224.46

300,066.34

103,908.98

5,894,526.49

\$28,127,827.17

Subsidiary Companies for the fiscal year ending July 31, 1943, and all our requirements, as auditors, have been complied with.

and adequate provision has been made, in our opinion, for possible losses on accounts doubtful of collection. The stocks of grain, twine, coal, and sundry merchandise satisfy ourselves that all liabilities as at July 31, 1943, have been taken up on the books as at that date. Inventory values as determined are subject to the question of income and excess profits taxes in relation to patronage dividends, as noted above, awaits final clarification. Depreciation for the year has been amounts to \$5,924,125.54.

marks, we report that, in our opinion, the above consolidated balance sheet as at July 31, 1943, is properly drawn up so as to exhibit a true and correct statement to us and as shown by the books of the Companies.

PRICE, WATERHOUSE & CO.,

Auditors.

# UNITED GRAIN GROWERS LIMITED AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS, JULY 31, 1943

PROFIT for the year ending July 31, 1943.....	\$1,233,387.96
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After writing off an amount of \$245,395.30 in respect of temporary grain storage buildings charging \$400,000.00 for patronage dividend but before charging or providing for the undernoted:

*Deduct:*

Interest on Bonds.....	\$119,534.52
Directors' Fees.....	9,280.00
Total Amount Paid as Counsel and Legal Fees and Salaries of Executive Officers who are Directors of the Parent Company actively engaged in the Management.....	34,400.16
Contribution in respect of Employees' Pensions.....	96,664.68
Including amount written off inaugural payment.....	
Annual Meeting Expenses.....	17,636.74
Provision for Depreciation of Capital Assets.....	486,103.00
	763,619.10
Profit for year.....	\$ 469,768.86

*Deduct:*

Provision for Taxes under Dominion Income and Excess Profits Taxation Acts—Estimated.....	225,000.00
	\$ 244,768.86

*Add:*

Earned Surplus—Balance at credit July 31, 1942.....	438,418.04
	\$ 683,186.90

*Deduct:*

Appropriation for the purpose of redeeming and cancelling 1537 Class A Preferred Shares of the Company's Capital Stock..	\$ 19,629.50
Dividend of Five Per Cent to Shareholders.....	158,644.25
Refinancing Expense:	
Premium and Expense incurred in respect of Bonds retired during the year....	\$36,091.76
Proportionate Amount written off Discount and Expenses on Bonds issued during the year.....	10,409.50
	46,501.26
	224,775.01

EARNED SURPLUS JULY 31, 1943.....	\$ 458,411.89
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# *Statement on* **AGRICULTURAL POLICY**

*Presented by the Board of Directors of*

**United Grain Growers Limited**

*To the Annual Meeting*

Winnipeg, Manitoba, November 10th, 1943

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According to custom your Directors now present a statement on agricultural policy, intended if approved to provide the foundation for recommendations to the Government of Canada through the Canadian Federation of Agriculture or otherwise.

One section of this statement relates to immediate problems, and the administration of agricultural policy during 1944 or soon thereafter. A second section deals with some matters relating to price ceilings. In a third section possible difficulties of the transition period at the end of the war are examined. The final section deals specifically with the problem of markets for western wheat and steps to be taken in that connection in preparation for the end of the war. Such markets provide an essential condition for success of the many different post-war plans now discussed by governmental bodies and by political and other organizations. Planning is both desirable and necessary, but it will fail in its objective if it is not soundly based on a realization of some fundamental facts. Satisfactory reconstruction in Canada will be possible only on the basis of a prosperous agriculture. A prosperous Canadian agriculture depends upon large-scale export of Canadian agricultural products. Such export in the past has been based on grain production and must continue to be based on such production. For those reasons satisfactory export outlets for wheat are a prime necessity.

A particular duty falls upon a farmers' grain marketing organization to stress these facts at this time. There is real danger lest those who are planning for social security and a more abundant life in Canada after the war should lose sight of what must be the primary consideration, a secure economic foundation for this country and this country's agriculture. Because of that danger your Board feels that the efforts of this Company, in discussing problems of the post-war period, should be directed mainly to problems of markets.

## **I—Agricultural Policy Now and in the Near Future**

Canadian agricultural policy both immediately and in the near future, can safely be founded on one principle, that of obtaining the maximum production of which the present agricultural resources of the West are capable. It is quite evident that such production is required now for war purposes. That it will be urgently required in the post-war period to relieve distress has been made clear from the facts brought out at the International Food Conference.

What form the agricultural production of the West should take for the next year or two depends upon actual needs. No doubt the Government will advise and direct western farmers in connection with their plans for 1944, in accordance with information available as to prospective needs for the year. Farmers will heed such advice and direction, but to be effective it should be given as early as possible in the new year.

In the seeding program for 1944 there should be no attempt at restraining wheat production or at restricting wheat acreage except as may result from necessary assignment of acreage to other crops. On the contrary, a wheat acreage considerably larger than seeded in 1943 should be encouraged. Encouragement to expand acreage is already provided in the price basis. There should be further encouragement in announcement that there will be no restriction on farmers' wheat marketings beyond what may result from congestion of elevators or scarcities of transportation. If Canada should again have as small a wheat crop as was produced in 1943, we would be in danger not of a wheat surplus but of a wheat shortage. If, on the contrary, there should be a large crop, and more wheat produced than can be marketed, we shall simply have assurance of satisfactory reserves.

In preparation for marketing of the crop of 1944-45; there should be removed restrictions which now apply to farmers' wheat marketings during the current crop year. Farmers' deliveries for the crop year 1943-44 are now limited to 14 bushels per authorized acre, or approximately 280 million bushels for the crop year. It is altogether probable that more than that quantity will be exported and consumed in Canada, and that before the end of the crop year room will be available for deliveries well above 14 bushels per authorized acre. Any total limitation should be removed and deliveries be permitted up to the full extent for which room and transportation can be found. The West in 1943 did not produce 280 million bushels of marketable wheat, but the quotas mentioned can be met, and much more than met, from wheat of 1942 production carried forward. There is now such a great demand for Canadian wheat that it would be inefficient to force any of it to remain in farm storage instead of placing it where it can be quickly available when required.

Important as it is to produce wheat in 1944 the country needs large livestock production and as the basis for such production, large quantities of oats and barley. While farmers now know what price they will receive for wheat, they will not have, until further government announcement is made, a guarantee with respect to prices for oats and barley. Unless they can count with some confidence on present prices being continued, there would be danger of too great a switch from coarse grains back into wheat, too great that is, because the supplies of oats and barley might fall below requirements. For these reasons the Government can be urged to guarantee that prices for oats and barley during 1944-45 will not fall below present levels.

The present situation with respect to hogs requires immediate attention. The Government should announce promptly a further incentive to hog production to avoid a large reduction in Canadian bacon production which otherwise seems likely to occur. Just recently the Government has completed a new bacon contract with Great Britain. It is highly satisfactory that such a contract has been made for a two-year period and also that some increase in the basic price has been made. But it must be noted that the contract apparently contemplates a total supply for export of only 900 million pounds in two years as against the 675 million pounds for a single year stipulated in the last contract. There can be no doubt

that Great Britain needs all the bacon Canada can produce. Nor can it be doubted that farmers of Canada, with sufficient price incentive can produce a good deal more than 450 million pounds for export in a year.

Hog feeding operations in western Canada are being reduced because of recent increases in prices of wheat and coarse grains, which benefit producers only when they sell grain and not when they feed it. Many farmers are now liquidating breeding stock. It is quite true that coarse grains sold as a result of such changes in farmers' plans will presumably be fed to livestock elsewhere on the continent. It is also true that quite possibly an increase in hog prices to correspond with recent price increases for feed grains would not fully maintain the level for western hog production, which had perhaps reached a peak which cannot be maintained because of labor shortages and other difficulties. It is also quite possible that farmers who reduce feeding operations may find that there is neither elevator nor shipping accommodation for all the grain they wish to sell. But it will be very unfortunate if western hog production is not maintained at as high a level as possible, and if as a result of failure to do so this country falls short of doing all it can to meet the urgent need for bacon in Great Britain. Hog producers require an incentive to maintain extra production, and the small price increase likely to result from the price basis in the new bacon contract with Great Britain is not sufficient for that purpose. It may be that if hog prices advance beyond a certain level, that would endanger the price ceiling on bacon sold in Canada. For that reason there should be resort to a subsidy on hogs marketed, a subsidy which, to encourage quality production, could be restricted to the higher grades. The need for such a subsidy can be considered in relation to the Wheat Acreage Reduction payments which the Government formerly made and is likely to discontinue, now that a policy of Wheat Acreage Reduction appears to be no longer appropriate. Funds formerly applied to that purpose can now quite properly be applied to encouraging production of hogs.

As to the balance of acreage between different crops in 1944, it will be for the Government to determine what acreage in oil bearing crops, flax and sunflower seed, is desirable and to give the necessary incentive by way of price guarantee. If price guarantee for oats and barley such as are outlined above are given, and the suggested encouragement to hog production, those will provide sufficient incentives to produce feed grains. The best balance of acreage as between different crops will probably be that which farmers arrive at individually in the light of their own operating experience. Those farmers who can produce oats and barley satisfactorily will take into account not only their own needs for feed, and prospective prices for such grains when they are sold. They will also consider that it is desirable to have as much diversification as practicable between these different crops in order to take advantage of different outlets for these grains as may be determined from time to time by market demand and shipping conditions.

## II—Price Ceiling Considerations

While price ceilings are a necessary part of Canada's policy directed against inflation, suggestions for adjustment or change must be made from time to time.

Ceiling prices now applied to oats and barley keep these grains from selling at higher prices, to the disadvantage of western farmers selling such grain, and to the benefit of other farmers, mainly in eastern Canada, who buy feed grains. Under conditions of this moment perhaps the present system of "equalization fees" on oats and barley, and the advance distribution made in respect thereto, provide the best available substitute for removal of the price ceiling on those grains. But as soon as possible the

Government should remove that ceiling and adopt some other means of protecting the interests of farmers in eastern Canada who must buy feed grains. That is not only to allow demand and prices in the United States to be reflected to the benefit of the Canadian producer. It is also in order that export trade in oats and barley should be relieved of the vexatious restriction and hampering effect of the system of export permits.

We stress particularly removal of ceiling prices on malting barley in order to restore to barley producers a greater incentive to growing malting barley.

Similarly, we advocate that as soon as possible ceiling prices on flour should be adjusted to another basis than wheat at 77½ cents per bushel, a level which now must be regarded as far too low. Flour consumers in Canada should not for long become accustomed to the idea that flour can continue to be provided on such a basis. To maintain such a low basis in Canada may create future difficulties in securing a satisfactory wheat price from other countries. If price control policies prevent such an adjustment during 1944, it should not be too long delayed.

### **III—Assistance to Agriculture During Transition Period**

Agriculture may require assistance during the transition period where a shift has to be made from producing wartime requirements to those of peace. If the strain of adjustments is such as to require assistance both the people and the Government of Canada will accept the principle that such assistance should be given. It may prove desirable and necessary to establish floor prices for certain agricultural products, and if so, these would be regarded as reasonable offsets to ceiling prices prevailing at present. Later, when definite problems emerge, this Company may make specific recommendations. It is however, not necessary to accept the idea that the end of the war will bring abruptly to an end the demand for livestock products. On the contrary there is good reason to believe that for some years both Great Britain and the European continent will rely largely on Canada for livestock products. Fear of a sudden collapse in livestock prices prevents some farmers now and threatens to prevent others from keeping up livestock production to levels quite possible to maintain. For these reasons we again put forward the idea already advanced by this Company and by other organizations that the Government should guarantee price levels for livestock and livestock products for two years after the end of the war. This is urged in order to secure the supply required now and likely to be required later. It is not essentially a measure of assistance for the transition period but it might well make such assistance less necessary.

Reference may be made at this point to the recommendation first made by this Company a number of years ago, that there should be established a Board of Livestock Commissioners for Canada, to give with respect to livestock the same protection which is afforded to grain producers under the jurisdiction of the Board of Grain Commissioners, a suggestion which has since been endorsed by the Canadian Federation of Agriculture and by other bodies. It is to be hoped that such a body will be established.

### **IV—Post-War Wheat Markets**

We turn now to the question of post-war wheat markets, which must be established and retained if there is to be any sure foundation for western agriculture. Farmers may from time to time require government assistance and public funds to carry agriculture through a period of special difficulty but in the long run they must look to what they produce on the farm and to its satisfactory sale to provide the basis for their economic life and to bring about improvements in their standard of living. For



years to come, as has been the case in the past, satisfactory agriculture in western Canada must depend upon grain and primarily upon the production and export of wheat. The primary problem for western agriculture is to establish and maintain satisfactory outlets for wheat. The west cannot for long depend upon the Government of Canada to do what has just been done, to provide a market, to buy great quantities of western wheat and send it to other countries under the Mutual Aid Plan. We must think soon again of markets and in terms of buying and selling. Neither marketing machinery nor government assistance will for very long assure a satisfactory living, for the number of people now employed in western agriculture or for the number Canada will desire to keep upon western farms, unless markets and reasonable market prices are available.

The first definite suggestion we put forward in this connection is that Canada, in international negotiations which are now beginning and which will culminate after the war, should endeavour to have wheat made a free-trade commodity throughout the world. A few years ago that would have seemed to be an impossible objective. Now it is no longer so. Everyone has come to recognize that the future of the world depends upon developing international trade, and a general lowering of custom tariffs is accepted by most people as desirable. Nevertheless complete abolition of tariffs probably still lies far in the future. But a special case can be made for wheat. It is clear from reports of the International Food Conference that there must be a great increase in world food production if the world is to be adequately fed. Representatives of the nations assembled at that conference each pledged his country to bring about higher standards of nutrition and it was there shown that even in the most advanced countries undernourishment prevails among a considerable part of the population. Canada must vigorously follow up that idea. It can be shown that higher nutritional standards in many countries can only be reached if such countries, instead of keeping land in uneconomic wheat production, are willing to import wheat and turn a large part of their present wheat acreage to production of meat, milk, butter, eggs and similar foods which, unlike wheat, cannot be advantageously imported but must be produced at home.

Further, Canada can show that for some time immediately after the war various countries can be fed adequately only if Canada continues to produce agricultural commodities to the limits of this country's capacity. Such maximum production in Canada will only be possible if a high degree of confidence is maintained with respect to the agricultural future of this country, and if farmers and the country generally can rely on some permanence of demand. Productive capacity in Canada, and doubtless also in other countries, would be tremendously hampered by fears of any early return to those policies restrictive of international wheat trade which developed so largely between the wars.

Our government spokesmen in international negotiations must bear in mind that the British market is only one of many markets to which Canadian wheat will require access. Potential markets of continental Europe are in the aggregate even more important than the British market. When this country's wheat was largely excluded from continental Europe by restrictive policies which developed their full force only after 1929 it meant that the impact of the great depression on Canada was much more serious and much more prolonged than would otherwise have been the case.

Canada has a greater interest, both absolutely and proportionately, than any other country in international wheat trade. For that reason we urge that Canada commence efforts now and continue them, to get signed an international convention which would bind different countries not to impose tariffs against the import of wheat. Such an accomplishment, while

it would serve the interests of this country would also be in the interest of the world as a whole, including those countries which in the past have been accustomed to restrict wheat imports. It would lay a foundation also for later expansion of world trade in other directions.

### V—Need For A Wheat Institute

But Canada must do something more than merely rely on other countries to open their market for our wheat. Under conditions favourable to world trade undoubtedly there will be a large spontaneous demand for Canadian wheat. Under unfavourable conditions there will still be some demand. Whether conditions for world trade are favourable or unfavourable we cannot afford to rely simply on spontaneous demand. Early in the century there were two positive forces at work for Canadian wheat. One was the active selling of Canadian flour, which by demonstrating its quality in the markets of the world, created a demand for high grade flour, to make which millers found they had to use a considerable proportion of high quality hard wheat. Another was the Canadian grading system, which as buyers learned, gave them positive assurance of getting just what they wanted. So vital is the export of wheat to Canada that we now need something more. Except in Great Britain the former consumers of Canadian wheat in countries abroad have long become unaccustomed to its use, both because of the war and because of the long period of trade restrictions which preceded the war. Canada must start all over again to establish markets. We must have a new force which will develop outlets for Canadian wheat. A method for developing such a force was indicated by this Company ten years ago in proposals to establish a Wheat Institute designed to carry on throughout the world work on behalf of Canadian wheat. The proposal has been widely endorsed, most importantly probably by Mr. Justice Turgeon in his report of the Royal Grain Inquiry Commission of 1937. Such an institute should be established now and fully equipped to commence its work when hostilities cease and even before.

Throughout the world in many different countries there is a wide field for useful activity on behalf of Canadian wheat, activity that could take many different forms. One such form is ordinary advertising directed to the consumers of bread. Indeed before the war the Canadian Wheat Board had begun such advertising in Great Britain. In most countries probably advertising and publicity could more usefully be directed to millers and bakers. But advertising is only one branch of the sales promotion work which is required. In many cases this would be carried on by personal interview.

Promotional work should be soundly based on research, both commercial and scientific in character. The actual needs and desires of different markets require close study. In some countries it can be discovered and shown just what mixture of Canadian wheat with native grains, whether soft wheat or rye, will give the best results. In other places it needs to be demonstrated how a strong flour such as is produced from Canadian wheat, or by a mixture of Canadian with other wheat, can best be employed to suit the baking and distribution methods that may be employed. In some countries it can be demonstrated that the use of Canadian wheat, high in protein, can improve the nutrition of a population that is inadequately supplied with protein foods. When obstacles occur to the import of Canadian wheat, whether the difficulties arise from financial or commercial considerations, from lack of knowledge, from prejudice or from any other cause, such difficulties need to be studied and overcome.

There are countries which use a great deal of wheat but could use more Canadian wheat to advantage. There are other countries where wheat is as yet little used and where its use can be developed.

A vast amount of work can be done in the single field of using wheat for livestock feed. No doubt the highest possible use of wheat is for human food but when wheat is unduly plentiful or unduly cheap the surplus can and should be absorbed in feeding. If in other countries there had formerly been any such appreciation of the value of wheat for poultry and other livestock as has prevailed in Canada, or as has been developing during the past year in the United States, such surpluses of wheat as at times have troubled the world would have been far less important.

It is not necessary here to outline in detail a program for a Wheat Institute. All that is desired is to show that a great need does exist for promotional work. It would seem absurd for Canada any longer to neglect such work and leave wheat to find a market only through the sheer weight of supplies or from such demand as may develop spontaneously.

This type of work needs to be done by an organization separate and distinct from that which is actually selling and handling wheat whether such processes are carried on through purely commercial channels as was formerly the case, or as at present through the Canadian Wheat Board. A Wheat Institute, although it would have to be set up by the Government of Canada, should be organized as a separate corporation with the same flexibility of action as is allowed to such bodies as the Canadian Wheat Board, the Canadian National Railways or the Canadian Broadcasting Corporation. It should be financed with sufficient endowment so that it can confidently plan and adequately carry out a program extending over several years. Five or ten million dollars set aside for such a purpose would mean that a program could be planned with confidence and carried out on an adequate basis. Such a sum is important but it is not large in comparison to the vital stake Canada has in the continuing success of the wheat growing industry.

Although ten years have passed since a Wheat Institute was first suggested, and it is yet to be established, the suggestion has not been fruitless. Included in the first outline of activities was a suggestion for scientific research into industrial uses for agricultural products, a suggestion first put forward in Canada through this source. The need for that type of research has now become widely recognized. It has begun to some extent and is certain to be carried on under government auspices. On that account, it no longer needs to be stressed in connection with a project for a Wheat Institute. Such research can well be carried on through the National Research Council of Canada. There are other types of scientific research which agriculture needs on an expanding scale. A multitude of problems associated with plant breeding, crop production, soil management and animal husbandry need investigation. The Company is directly fostering such research in western universities. As indicated above, it is in quite other fields, and in countries outside of Canada, where the field for activity of a Wheat Institute lies.

\* \* \*

Planning for the post-war world is now under way by many agencies, both official and non-official, and such planning is local, provincial, national and international in its outlook and scope. The Board of Directors of United Grain Growers Limited believes that the best contribution this western farmers' company can make to such planning is to stress continuously the fact that a sound agriculture is essential for the economic and social security of Canada; that a sound agriculture must be based on agricultural exports, and that in all probability such exports must be largely in the form of wheat or wheat products. Consequently the question of export markets for wheat is basic in all planning for the future of Canadian agriculture and the place of Canada in the post-war world.





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